

FARM SECTOR ECONOMIC ANALYSIS

FARM INCOME CONCEPTS: Cash receipts from farm marketings represent gross income from the sales of crops, livestock, and poultry during the calendar year. The value of home consumption of farm products, inter-farm sales of livestock, and crops fed on farms where grown are not included in cash receipts. Cash receipts from marketings of crops are the final product of several estimates: acreage, yields, percentage of total production sold, average price, and changes in inventories. Marketings of livestock and poultry include the sale value of an animal only once, usually at the time when the animal is sold for slaughter or at final disposition.

Final agricultural sector output includes cash receipts as well as the value of home consumption, crop and livestock inventory adjustments, and other farm-related income. Net value added is the sector's contribution to the national economy and is the sum of the income earned by all factors of production, including direct government payments, minus all production expenses and capital consumption. Government payments to farmers are those payments made directly to farm producers in connection with farm programs. Examples of intermediate consumption outlays include purchase and repair of farm equipment and vehicles; purchases of fuel, seed, feed, and livestock; as well as utilities, marketing, transportation, and storage expenses.

Net farm income is the operator's share of income from the agricultural sector's production activities, after deductions for wages paid to hired workers, rent received by nonoperator landlords, and real estate and nonreal estate interest.

ASSETS & DEBTS: New Mexico farm and ranch assets continued to rise, although at a somewhat slower pace than in recent years. For 1997 assets hit \$13.8 billion, 4 percent above the year earlier level. The largest asset, real estate, at \$11.8 billion, was also up 4 percent from a year earlier and has climbed 36 percent since 1993. The value of livestock and poultry assets surged 15 percent to \$970 million in 1997, but machinery and motor vehicle assets showed a slight decline to \$442 million. Even though New Mexico farm and ranch debt increased by 1 percent to \$1.3 billion, it was also the smallest increase since 1993. Real estate debt actually declined a bit from the previous year, while nonreal estate debt was up 3 percent. Both the debt-to-equity and debt-to-assets ratios improved during 1997 to 10.3 and 9.3, respectively, reflecting a healthy agricultural economy.

INCOME: The final agricultural sector output from New Mexico farmers and ranchers dipped to \$2.1 billion in 1998, 1 percent below 1997, but still well above previous years. Crop output was off 10 percent to \$504 million while livestock output inched up 1 percent to \$1.5 billion. Direct government payments in 1998 rebounded to \$60.4 million compared to 1997's low \$39 million, but more in line with previous years' levels. Other farm-related income rose to \$135 million compared to the \$116 million in 1997. After deductions for somewhat lower production expenses, hired labor, and other economic factors the state's net farm income totaled a record-setting \$571 million; 13 percent above 1997 and a whopping 55 percent higher than the 1996 level.

PRODUCTION EXPENSES: The costs which the state's farmers and ranchers paid to produce crops and livestock declined for the first year since 1995 totaling \$1.1 billion for 1998, or 6 percent less than in 1997. The decline was fueled by significant decreases in the major expense items of feed and livestock purchases. Producers had to pay an additional \$295 million for hired labor, property taxes, vehicle license fees, and interest payments, all up from 1997 levels.

CASH RECEIPTS: New Mexico total cash receipts from the sale of farm and ranch production inched up to nearly \$2.0 billion, 2 percent above 1997 and a new record high. The 5 percent increase in livestock products, at a record \$1.4 billion, more than offset the 7 percent decline in crop receipts, at \$513 million for 1998. However, even within the livestock category, all items posted declines except dairy, which was up 24 percent from the previous year. Of the top ranked commodities, cattle and calves were down 6 percent to \$732 million, wholesale milk was up 25 percent to \$635 million, and hay receipts were off 4 percent to \$136 million. Greenhouse and nursery sales, at \$61.9 million, jumped to 4th place, moving chile, pecans, and onions down to 5th, 6th, and 7th places, respectively.

GOVERNMENT PAYMENTS: Direct government payments to New Mexico producers rebounded in 1998 to \$60.4 million from 1997's reduced level and was the highest since 1994. The Production Flexibility Program was up 7 percent to \$22.0 million and the Conservation Reserve Program rose 17 percent to \$20.6 million. These two programs combined made up 70 percent of the total payments received for the year.

PRICES: Except for milk and calves, prices received for New Mexico livestock posted declines during 1998, and most crop prices continued to slide lower. Cattle, the state's largest commodity, averaged \$58.00 per hundredweight, down \$1.50 from 1997, although still ahead of the lows from 1995 and 1996. Calf prices, the only bright spot, climbed to \$80.00 per hundredweight, well above recent years and the highest since 1994. The average wholesale milk price surged to a record high of \$14.80 per hundredweight for 1998; except for a midyear dip, the monthly price had risen to well over \$17.00 by the end of the year. Sheep, lamb, and wool prices were all well below year earlier levels. The annual price for hay, New Mexico's largest cash crop, was off \$5 per ton to \$119.00 for the year. Grain corn ended the year at \$2.35 per bushel and wheat was down to \$2.65 per bushel, the lowest since 1987 for both crops. Upland cotton, however, averaged nearly 12 cents higher, at 69.6 cents per pound for 1998. The average price for New Mexico's pecan crop, the second largest in the nation in 1998, soared to \$1.49 per pound, the highest since 1990.